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SUBJECT: AUTOMATIC FUEL-PRICING REGIME HAS ITS FIRST IMPACT

REF: (A) 2008 ABIDJAN 452 (B) 2008 ABIDJAN 480

¶1. Summary. On April 14, 2009, fuel prices at the pump in Abidjan decreased approximately 4 to 7 percent in response to a GOCI mandate. The decrease was the first change in prices made in accordance with a fuel-pricing mechanism the GOCI agreed to as part of its IMF program. End summary.

¶2. Until April 14, 2009, the GOCI set fuel-price caps through a largely political process. When the GOCI needed more cash, it raised fuel prices and kept them artificially high even when world prices decreased; when political pressure mounted, the GOCI lowered prices. For many months the IMF has pushed the GOCI to adopt an automatic pricing mechanism that would more closely reflect changes in world prices.

¶3. In its first IMF Emergency Post-Conflict Assistance (EPCA) program, approved in August 2007, the GOCI agreed to implement a proposed automatic pricing mechanism by December 31, 2007. It failed to do so. In its second EPCA, approved in April 2008, the GOCI agreed to implement the mechanism in July 2008. Once again, the GOCI failed to do so. However, on July 7, 2008, the GOCI imposed significant price increases on various fuels, in line with increases in world oil prices. Unleaded gasoline prices rose 29 percent; diesel went up 44 percent; lamp oil rose 17 percent; and cooking gas rose 28.5 percent (ref A). In response to the ensuing strike by transportation workers and members of the country's largest federation of unions, on July 20, 2008, the GOCI reduced the price of diesel (the primary fuel for public transportation, taxis, and most drivers) and lamp oil by 12.7 percent and 10 percent, respectively (ref B).

¶4. The IMF continued to insist on an automatic pricing mechanism. In February 2009, with its feet to the fire, the GOCI agreed to implement the automatic pricing mechanism as a pre-condition for an IMF Poverty Reduction and Growth Facility (PRGF) and approval of the enhanced Heavily Indebted Poor Countries (HIPC) decision point. However, the new pricing formula had no effect at the pump until April 14, when prices for unleaded gasoline fell 3.8 percent, from CFA 650 to CFA 625 (USD 1.30 to 1.25) per liter; diesel prices decreased 6.1 percent, from CFA 575 to CFA 540 (USD 1.15 to 1.08) per liter; and lamp oil prices fell 6.7 percent, from CFA 450 to 420 (USD 0.90 to 0.84) per liter.

¶5. Comment. The real test of the GOCI's commitment to the pricing scheme will come when world oil prices increase sharply and the formula requires a corresponding increase, both at the pump and in the bus and taxi fares paid by those who can least afford it. End comment.

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